

Talking Points for Tip Credit  
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A tip credit is simply the government's acknowledgement that tips earned in the restaurant are part of the wage. As proof, employers pay FICA, WC, and UI on tips. If tips count for those benefits, the employer should get to count some of the tipped income when calculating the MW.

In 43 states, full service restaurant owners are allowed to pay tipped employees \$2.13 per hour with the guarantee that the employee will make at least the balance of the MW in tips.

In Montana, we are not suggesting that we adopt this low wage, rather we are suggesting to keep the MW at the new level that was established by voters on January 1, 2007--\$6.15 per hour. The employer will simply be guaranteeing that his tipped employees will make everything over that in tips. Thus, if the MW goes to \$7.25 as expected, owners will pay a cash wage of \$6.15 per hour and guarantee that all tipped employees will make the balance of the MW in tips.

Our proposal respects the will of the voter by adopting the new MW as the base wage for tipped employees.

Montana voters just passed a minimum wage increase to \$6.15 per hour and now Congress is poised to raise it another \$1.10 to \$7.25 per hour. Too much, too fast.

For full service restaurants, the effect of the hike is to give the highest paid workers in the industry, typically making between \$15-30 per hour, a pay raise. Giving a raise to those who are already making considerably over MW, hurts the owner's ability to give a raise to kitchen crew.

The free market already had the wage issue figured out. With the advent of the new initiative and now with pending Congressional approval of yet another wage hike, restaurant owners need some relief.

It is time for Montana to adopt the most labor friendly tip credit in the nation. One that starts at \$6.15 an hour.